

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

Bulletin 2000-7

Issued this 6th day of October, 2000

TO: All Minnesota Insurers Licensed to do Business in Minnesota

RE: Establishing July 1, 2001 as the Compliance Date for Privacy Standards Under Gramm-Leach-Bliley

The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (GLBA) was signed by President Clinton on November 12, 1999. Title V of GLBA (15 USC 6801-6827) imposes consumer privacy requirements on all "financial institutions," which include state-regulated insurance companies as well as federally regulated banks, thrifts, and securities companies. The privacy requirements of GLBA are further defined in a joint final rule issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (jointly, the Federal Agencies) issued May 12, 2000, and effective November 13, 2000.

These regulations require financial institutions to formulate consumer privacy policies and disclose such policies to their customers annually, and to implement mechanisms by which consumers can exercise choices about the use of personal data. Recognizing the scope and complexity of the task of developing systems to comply with the federal privacy regulation, GLBA authorized the Federal Agencies to prescribe by rule a later date, if necessary, for compliance with the privacy standards. The Federal Agencies subsequently incorporated a compliance date of July 1, 2001, into the joint final rule, while leaving the original effective date, of November 13, 2000, in place. The delayed compliance date found in the joint final rule applies only to financial institutions regulated by the Federal Agencies. Therefore, while it applies to insurance activities conducted by these federally regulated entities (such as banks and their affiliates), it does not extend to insurance companies and other insurance licensees subject to the exclusive authority of state regulators.

State-regulated insurance companies face the same obstacles in achieving compliance with the federal privacy standards as do the federally regulated financial institutions. Not only would compliance by November 13, 2000, be unworkable on a practical basis, but compliance before the July 1, 2001, date would place state-regulated insurance companies under an unequal and unfair burden in competition with insurance business conducted by other financial institutions not subject to the earlier compliance date.

In response to the emergency facing the insurance industry, the National Association of Insurance Regulators (NAIC) prepared a resolution, agreed to by all 50 states, indicating the intent of every state to delay enforcement of the GLBA privacy standards until July 1, 2001 for state-regulated

insurance companies.

In accord with the objective expressed by insurance regulators nationwide, the Minnesota Department of Commerce will delay enforcement of the GLBA-mandated privacy standards for all insurance licensees until July 1, 2001. Please take note that the delay in enforcement of GLBA does not affect the requirement that insurance licensees continue to comply with all provisions of the Minnesota Insurance Fair Information Reporting Act, Minnesota Statutes sections 72A.49 through 72A.505. Beginning July 1, 2001, insurance licensees will also be required to comply with those standards of GLBA not already met or exceeded by the applicable Minnesota Statutes.

Questions regarding this bulletin should be referred to Mary Lippert, Staff Attorney at 651-296-9423.

JAMES C. BERNSTEIN
Commissioner of Commerce